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SUBJECT: DEMARCHE REQUEST - U.S. WTO REMANUFACTURING INITIATIVE

¶1. This is an action request. See paragraph 2.

¶2. Summary and Action Request: As part of WTO Doha Round negotiations, the United States has strongly advocated an agreement on facilitating international trade in remanufactured goods. Remanufactured goods are widely used in industrial, medical, and other applications in many advanced economies, and offer many advantages to end-users. In recognition of the importance remanufactured goods trade has for U.S. exporters and our trading partners, the U.S. first proposed a WTO negotiating text on trade in remanufactured goods in February 2007. That text has since undergone several revisions. Broadening support among WTO members for the text is essential to meeting our goals for remanufactured goods as part of any Doha Round agreement. Therefore, Post is requested to approach host government at the Econ Counselor or other appropriate level to seek host government co-sponsorship of the U.S. negotiating text on trade in remanufactured goods at the WTO.

¶3. Background on the text for Post's use as needed may be found in paragraph 5 below. The full negotiating text (entitled "Reman Negotiating Text") and additional background materials for this demarche may be downloaded at the following unclassified State Intranet site. These documents are available in English, French, and Spanish. Posts may leave the full negotiating text and other background materials with host government officials.

To access the unclassified intranet site: go to <http://eb.state.gov/shortcut.cfm/DQS>. Documents are listed in the "WTO Remanufactured Goods Demarche" section.

¶4. In discussions with host governments, Post may draw as

appropriate from the documents available for download via the link above, particularly the U.S. concept paper on remanufacturing (entitled "Reman Concept Paper"), the U.S. remanufacturing FAQ ("U.S. Reg FAQ"), and the U.S. illustrative examples of remanufactured goods ("Reman Examples"). Posts may also draw from the following key points:

-- Remanufacturing is an increasingly used and relevant business practice that deserves the WTO's attention due to its many benefits.

-- Liberalizing trade in remanufactured goods is a win-win for the economy and the environment. (NOTE: The "Reman Concept Paper" document spells out in detail many of the advantages.)

-- The U.S. Remanufacturing Initiative has its roots in the G8 led 3R process (Reduce, Reuse, Recycle). A 3R Senior Officials Meeting took place in Bonn, Germany last fall. Future work on best practices in trade in remanufactured goods may also be part of the 3Rs agenda for 2008. Most 3R participants came from environment ministries, and clearly understood the benefits of remanufacturing. We encourage you to do reach out to your environment colleagues on this issue.

-- The United States has consulted extensively with Members, and we believe our proposal for a modest post-Doha work program on remanufacturing complements efforts many Members are already undertaking to update their trade policies related to remanufacturing to reflect its growing importance.

We listened carefully to the concerns and questions we received from Members on our remanufacturing negotiating text, and made adjustments to this text to respond to these concerns (see paragraph 6).

-- We are now at a point in the negotiations where Ministers will influence which non-tariff barrier negotiating texts move forward past modalities. Initiatives such as the U.S. remanufacturing proposal can be an important contribution to a substantive non-tariff barrier (NTB) package for the Doha Round.

-- We believe that Members have expressed a sufficient amount of support for our remanufacturing proposal for text-based negotiations to begin. In particular, many Members have supported the view that remanufacturing is an important new industry, and have indicated interest in the work program we have proposed. However, some Members continue to have questions about our proposed definition of a remanufactured good. They have suggested that negotiations on the definition be part of the proposed work program.

-- We believe there is time in the months after modalities to resolve the definition issue. Leaving the definition open until the work program begins would detract from and could delay any discussion we would have on measures impacting trade in remanufactured goods.

-- (For Chile, Singapore, Australia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Nicaragua, Honduras, Bahrain, Oman, Peru, South Korea, Colombia, and Panama) As a current or prospective U.S. FTA partner, your country has already accepted, is implementing, or plans to implement similar language to the definition in our negotiating text.

-- We have included "and has a warranty" to the definition in response to Members' calls for such language. We hope that this provides Members with greater comfort regarding the definition. NOTE: This is the only specific drafting suggestion that we have received from members.

-- Members have asked the United States to indicate which remanufactured goods the text would cover. As more and more sectors are adopting remanufacturing as a viable business practice and global investments in remanufacturing are increasing, we do not think it would be appropriate to draft

a static list of remanufactured goods.

-- This universe of goods is constantly changing. To provide Members with more clarity on what we mean by remanufactured goods, in addition to the definition, we submitted a document entitled "Illustrative Examples of Remanufactured Goods" on December 20, 2007.

-- We appreciate the consultations that delegations have done in the intervening period. It is clear from our subsequent bilateral discussions that the practice is taking hold in other countries, as well, and that there is an active debate within many countries about the important surrounding trade policy issues that a work program would seek to address.

-- We seek your co-sponsorship of our negotiating text, which would send a strong signal to other WTO Members that there is significant support for the text and that text-based negotiations should begin on this text after modalities have been reached.

-- If you cannot co-sponsor at this time, we would appreciate a better understanding of your concerns. If you have specific concerns with the text and can offer drafting suggestions, we would be happy to take them into consideration.

**15.** In 2007, the United States made great progress in advancing our remanufacturing initiative at the WTO:

-- On February 28, 2007, we introduced the initial U.S. negotiating text on trade in remanufactured goods, which outlined U.S. expectations for discussing remanufacturing issues after the conclusion of the Doha Round.

-- On March 8, 2007, the United States requested Members respond to questions designed to help the U.S. and other WTO Members to gain a better sense of Members' concerns regarding remanufactured goods. (NOTE: This document is available via the link in paragraph 3, entitled "U.S. Questions.")

-- On May 3, 2007, in response to requests from Members, we provided information on how the United States regulates trade in remanufactured goods, particularly prevention of deceptive practices, consumer protection, and intellectual property rights with respect to remanufactured goods. (NOTE: This document is available via the link in paragraph 3, entitled "U.S. Reg FAQ.")

-- On September 27, 2007, the United States submitted a series of bilateral requests of certain Members to eliminate specific barriers to trade in remanufactured goods. The United States expects to reach a mutually satisfactory resolution to these issues as a part of the overall negotiated outcome of the Doha Round. (NOTE: This document is available at the link in paragraph 3, entitled "U.S. Reman Bilateral Requests.")

-- On October 26, 2007, the U.S. submitted a revised negotiating text on trade in remanufactured goods, and on December 20, 2007, submitted a second revised text. (NOTE: This document "Reman Negotiating Text" is available via the link in paragraph 3.

**16.** Below is a summary of the key changes the U.S. has made to the negotiating text in response to Members' concerns:

-- We have made it clear that this proposal is not seeking a tariff sectoral for remanufactured goods (text para 6 and footnote 1).

-- We have bracketed the definition of a remanufactured good (text para. 5) so that Members understand we are willing to discuss this issue further in the context of this negotiation.

-- We have included "and has a warranty" to this bracketed definition in response to Members' calls for such language, and hope that this provides Members with greater comfort

regarding the definition.

-- We have specified a biannual timeframe for Members to discuss trade in remanufactured goods to provide greater specificity to the process in the Council for Trade in Goods (text para. 3).

-- We have clarified that the discussions themselves will take into account the special needs and interests of developing and least developed countries. This reflects our expectation that Members' trade regimes should evolve in a WTO-consistent manner with respect to trade in remanufactured goods (text para 3).

¶7. Please slug responses for USTR (BNorton, CSmothers) and Commerce (EBrzytwa). State POC for this demarche is Aaron Scheibe in the Economic, Energy, and Business Affairs Bureau's Office of Multilateral Trade. Mr. Scheibe may be contacted at (202) 647-8202 or scheibeap@state.gov.

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